

Internal Revenue Service
District Director

Department of the Treasury

Post Office Box 1680, GPO
Brooklyn, NY 11202

Date: MAY 11 1993

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(6) of the Internal Revenue Code.

The evidence presented disclosed that you were incorporated on [REDACTED] in the State of [REDACTED].

The purposes for which the corporation was formed is as follows:

To provide members with free crime prevention, decision making guides in any area of crime members are experiencing a problem.

To offer free discount directory of manufacturers and distributors offering discounts on particular security equipment or services.

To offer free anticrime assessment worksheets that will enable members to make a self-analysis of action or actions needed for one or more problems identified in said worksheets.

To provide a free directory of insurance companies offering discounts to our members who have taken effective measures to safeguard their businesses against crime.

To provide a free quarterly newsletter that will keep members informed on current events regarding crime prevention and new products on the market to help them safeguard their business.

To offer free assistance in obtaining a [REDACTED] carry pistol permit license.

To conduct seminars and workshops on anticrime strategies as a community service.

To assist parents with the preparation of identification packages to help find children in the event of an abduction.

The organization will be selling books and video tapes on anticrime strategies.

To operate an "employee Crime Hotline" to enable concerned and honest employees to call our organization with information on crime in their workplace anonymously. Employer is then notified of allegations in writing.

To provide Low Cost investigations of all types for members.

The information submitted with your application 1024 indicates that the organization is composed strictly of a Board of Directors which consist of 3 individuals, two of whom are husband and wife. That the "corporation has elected to function without a membership structure, therefore, there are no qualifications for membership in (the) organization." That your primary activity is providing private investigations, pre-employment background investigations, security system consultations and referral services to businesses/members on a fee for service basis. A review of your financial data indicates that virtually all of your income is derived from the provision of these services to businesses/members, the balance being derived from a loan from an officer.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues not organized for profit, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league.

An IRC 501(c)(6) organization's primary activity cannot be performing particular services for members.

Revenue Ruling 66-338, 1966-2CB 226 held that an organization formed to promote the interests of a particular retail trade which advises its members in the operation of their individual businesses and sells supplies and equipment to them is not exempt from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

In Revenue Ruling 68-264, 1968-1CB 264, exemption was denied to a nonprofit organization formed to operate as its primary activity a traffic bureau for members and non-members as a service in the shipment of their goods and products. The services it provided to members and nonmembers included quotations of freight rates, rules and practices; investigations of loss, damage, and overcharge claims, handling of rate cases for individual members before regulatory bodies; investigation of complaints on transportation services; and furnishing of information on transportation laws.

Similarly Revenue Ruling 68-265, 1968 1CB 265 - held that a nonprofit organization that operates a credit information service as its primary activity is not exempt from Federal income tax under section 501(c)(6) of the Code. The service consisted of making inquiries and recording the information received relative to the experiences of members with parties requesting credit. The information is supplied to the members on request.

Revenue Ruling 78-10, 1978 1CB 159 provides in part that a board of trade that, as its principal activity, provides grain analysis laboratory services to members and nonmembers, at the same charge and that is supported almost entirely from the substantial profits of the laboratory, which is of a kind customarily carried on for profit, is not exempt from tax under section 501(c)(6) of the Code.

Like the organizations described in the above cited Revenue Rulings your organization is primarily engaged in a regular business, providing particular services for its member businesses of a kind ordinarily carried on for profit.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(6) of the Code and propose to deny your request for exemption under that section.

We have also determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time, this determination will become final.

Sincerely yours, //

District Director

Enclosure: Publication 892